MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BAC1034 – PRINCIPLES OF FINANCIAL ACCOUNTING

(All sections / Groups)

7 March 2017
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 5 printed pages excluding cover page with 4 questions only.

2. Answer **ALL** questions. Marks are shown at the end of each question.

3. Answer in the answer booklet provided.

QUESTION 1

The following balances have been extracted from the books of Alpha Berhad as at 31 December 2016.

	Debit (RM)	Credit (RM)
Land and Building	1,000,000	
Furniture and Fixtures	600,000	
Motor Vehicles	800,000	
Accumulated Depreciation:		
Motor Vehicles		216,800
5% Loan from CIMB		750,000
10% Fixed deposit at MAYBANK	100,000	
Bank	120,000	
Cash	50,000	
Account payable		78,000
Inventories, 1 Jan	80,000	
Account receivable	95,000	
Dividend	180,000	
Common stock		1,500,000
Duty on purchase	40,000	
Carriage inwards	12,000	
Returns	4,500	7,000
Purchases and sales	460,000	870,000
Discounts	15,000	17,000
Salaries expenses	250,000	
Repair and maintenance expenses	80,500	
Commissions	16,000	26,000
Insurance expenses	24,000	
Utilities	36,000	
Rental received		40,000
General expenses	21,800	
Retained earnings, 1 Jan		480,000
	3,984,800	**3,984,800**

Additional information:

1. Closing inventories as at 31 December 2016 was valued at RM120,000.
2. Interest on loan has been accrued for the year ended. The loan was taken on 1 March 2016.
3. Depreciation was to be provided:
   - Furniture and Fixtures — RM2,500 per month.
   - Motor Vehicles — 10% on reducing balance method.

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4. Fixed deposit was invested on 1 July 2016. Interest on fixed deposit was still accrued for 2016.
5. Utilities outstanding amounted to RM1,300 and insurance prepaid was RM500.
6. The company collected a receivable from customer, RM15,200, however the bookkeeper recorded it at RM12,500. This transaction has not been adjusted in the books of Alpha Berhad.

Required:

a) Prepare the income statement for the year ended 31 December 2016. (12 marks)

b) Prepare the retained earnings statement for the year ended 31 December 2016. (5 marks)

c) Prepare the balance sheet as at 31 December 2016. (8 marks)

(Total: 25 marks)

QUESTION 2

a) "Bookkeeping and accounting are the same". Do you agree? Explain. (5 marks)

b) Selected below are the transactions incurred for the year ended 2016 of Qu Putehh Sdn. Bhd.

		Debit or Credit
1	An increase in Utilities Expense.	
2	An increase in Accounts Payable.	
3	An increase in Prepaid Rental.	
4	An increase in Common Stock.	
5	A decrease in Supplies.	
6	An increase in Dividends.	
7	An increase in Commission Received.	
8	A decrease in Accounts Receivable.	
9	An increase in Insurance Expense.	
10	A decrease in Equipment.	

Required:

Under a double-entry system, show how the entry in each above statement is entered in the ledger by using debit or credit to indicate the increase or decrease in the affected account. (10 marks)

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c) Tengku Kudeen established a consultancy service business, called TK Consultant Bhd on 1 November 2010. During September 2016, the following transactions have been completed:

1	Paid office rent RM1,500.
3	Purchased equipment on account from Kelvin Furniture, RM4,750.
7	Received cash from clients, on account RM2,100.
9	Purchased office supplies by cheque, RM6,300.
16	Paid cash to Kelvin Furniture, RM2,000.
18	Received cheque for services performed, RM3,300.
21	Purchased used motor vehicle for RM36,000, paying by cash RM6,000 and giving note payable for the balance.
24	Paid in full by cheque to Kelvin Furniture, RM2,500.
27	Billed the Royal Dance Club for the services served, RM1,750.
30	The bank has approved an overdraft facility to the business for RM50,000.

Required:
Journalize the above transactions in General Journal form. Explanations are not required.
(10 marks)

(Total: 25 marks)

QUESTION 3

a) Listed below are five procedures followed by James Trading.

1	Several individuals operate the cash register using the same register drawer.
2	A monthly bank reconciliation is prepared by someone who has no other cash responsibilities.
3	Arman writes checks and also records cash payment journal entries.
4	One individual orders inventory, while a different individual authorizes payments.
5	Unnumbered sales invoices from credit sales are forwarded to the accounting department every four weeks for recording.

Required:
Indicate whether each of the above procedure is an example of good or weak internal control and state which internal control is being followed or violated. Explanations are not required.

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Use the table below:

Procedure	Good or Weak?	Related Internal Control Principle
1		
2		
3		
4		
5		

(10 marks)

b) Farisha Trading uses the perpetual inventory system and reports the following inventory, purchases and sales for the month of July.

Explanation	Date	Units	Per Unit
Inventory :	July 1	200	RM4.00
Purchases :	July 10	500	RM4.50
	July 20	400	RM4.75
	July 30	300	RM5.00
Sales :	July 15	500	RM6.00
	July 25	400	RM7.00

The physical inventory count on July 31 shows 500 units on hand.

Required:
Using First in, First out (FIFO) method;

1) Calculate the ending inventory and cost of goods sold. (10 marks)
2) Determine the total sales and gross profit. (5 marks)

(Total: 25 marks)

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QUESTION 4

Presented below are the financial statements of Ellisa Berhad.

Comparative Balance sheets

	2016 RM	2015 RM
Assets		
Land	73,000	100,000
Motor vehicles	260,000	200,000
Accumulated depreciation-Motor vehicles	(66,000)	(34,000)
Inventory	170,000	187,000
Account receivable	70,000	62,000
Prepaid rent	15,000	9,000
Cash	50,000	25,000
Bank	23,000	8,000
Total Assets	**595,000**	**557,000**
Liability and Equity		
Account payable	30,000	40,000
Salaries payable	4,000	5,000
Utilities payable	1,000	2,000
Bond payable	150,000	200,000
Common stock	216,000	174,000
Retained earnings	194,000	136,000
Total Liability and Equity	**595,000**	**557,000**

Additional information:

1. Net income for 2016 was RM103,000. Net sales for the year were RM780,000.
2. Depreciation expense and bad debts expense were RM22,000 and RM10,000, respectively.
3. No motor vehicles was sold during 2016.
4. Land was sold for its book value of RM27,000.
5. Bond payable amounting to RM50,000 were redeemed for cash RM50,000.
6. Common stocks were issued for RM42,000 cash.
7. Dividend of RM60,000 was declared and RM45,000 have been paid during the year.

Required:

a) Prepare the statement of cash flows for 2016 using indirect method. (19 marks)

b) Compute the following profitability ratios for 2016:

(i) Return on assets. (3 marks)

(ii) Profit margin. (3 marks)

(Total: 25 marks)

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